HOME TELEPHONE COMPANY
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November 9, 2004

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

RE: In the Matter of Developing a Unified Intercarrier Compensation Regime
CC Docket No. 01-92
Notice of *Ex Parte* Presentation

Dear Ms. Dortch:

On November 8, 2004, Keith Oliver of Home Telephone Company, Inc. ("Home Telephone") met with Tamara Preiss, Steven Morris, Jay Atkinson, Victoria Schlesinger and Christopher Barnekou of the Wireline Competition Bureau to discuss the *ex parte* filing in the above-referenced proceeding, which was filed with the Commission on November 2, 2004 by Home Telephone and PBT Telecom.[1] In the meeting, Mr. Oliver discussed the attached presentation, which summarizes the Nov. 2, 2004 *Ex Parte*.[2]

Should there be any questions concerning this matter, kindly contact the undersigned.

Respectfully submitted,

HOME TELEPHONE COMPANY, INC.

By: /s/ Keith Oliver
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Enclosure

cc: Tamara Preiss
Steven Morris
Jay Atkinson
Victoria Schlesinger
Christopher Barnekou

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[1] *See* letter to Ms. Marlene H. Dortch, Secretary from Keith Oliver of Home Telephone and Ben Spearman of PBT Telecom, Notice of *Ex Parte* Presentation, CC Docket No. 01-92, filed Nov. 2, 2004 ("Nov. 2, 2004 *Ex Parte*").

[2] A copy of the Nov. 2, 2004 *Ex Parte* was also provided to the attendees.

Intercarrier Compensation – a Rural LEC's Perspective

Updated Ex Parte Presentation of
Home Telephone Company, Inc. and
PBT Telecom

November 2004

Why We Are Here

- It is widely recognized that both parties benefit from a call.
- The ICF plan uses this rationale to support bill and keep, which is appropriate if costs and traffic exchanged are roughly equal among carriers.
- However, for much of rural America, this is not the case. Rural America is substantially more costly to serve by reason of being more sparsely populated.

The Urgency of the Situation

- Other plans envision a lengthy transition to a new "intercarrier compensation" regime.
- The rapid evolution of such technologies as VoIP render the current intercarrier compensation mechanism obsolete **now**.
- While the entrance of VoIP holds promise, it is critical that we maintain the ubiquitous, circuit-based landline network while encouraging deployment of the broadband network.
- Delay or piecemeal solutions will pose significant harm to the current voice network.

Foundation Principles

Any reform of the current regime should:

- Ensure that all traffic, regardless of jurisdiction or technology platform, is treated the same;
- Not isolate high cost areas;
- Be implemented quickly;
- Address both universal service and intercarrier compensation jointly and in a comprehensive manner; and
- Ensure a voluntary pooling process is retained.

Pure Bill and Keep Does Not Satisfy These Principles

- Pure bill and keep does not work where cost and traffic volumes are significantly different.
- Bill and keep says each network should collect from its subscriber the cost of the network, which means the flat rate collected from each network's end-user must cover all network cost.
- The result of putting bill and keep together with flat rate pricing is that rural network subscribers would pay a disproportionately greater amount for an equal benefit.

The Companies' Proposed Plan Satisfies These Principles

The Plan:

- Allows for the continuation of existing cost separation rules, pooling and rate of return mechanisms and for equitable treatment of states who previously acted to address state access rate issues;
- Provides for an averaged wholesale pricing to ensure that rural high cost areas will enjoy the same retail plans as urban America;
- Can be implemented quickly;
- Addresses both intercarrier compensation and universal service; and
- Eliminates costly carrier access billing mechanisms currently in place.

Overview of the Plan

- All carriers offering services that enable customers to make telecommunications calls shall be required to:
  – Connect to the public switched network; and
  – Obtain a properly assigned number from NANPA.
- Each carrier shall develop and tariff a connection charge that will be assessed against all carriers connected to it.
- This allows for interconnection between networks to be priced at an “averaged” rate per connection.

Overview of the Plan (con't)

- Carriers pay for the number of connections required to deliver traffic into another network and also pay for the number of subscriber connections they bring to the national network.
- The carriers, in turn, can pass through to the end user the fee associated with the the subscriber's number, as it is the end user that is benefiting from the ubiquitous national network.
- In effect, "access charges" are placed on the source of access into the public network – the number which allows for connectivity.

Benefits of the Plan

- The Plan eliminates minutes-of-use (MOU) interconnection charges which no longer work.
- The elimination of MOU allows for tremendous cost savings, as carriers will no longer need to capture and bill usage on a wholesale basis.
- “Phantom” traffic is eliminated.
- The stigma associated with providing retail service to high cost rural areas is removed.

Why the Plan Works

- It is a relatively simple solution to address a host of extremely complex and interrelated problems.
- The Plan provides for a dedicated facility that allows use of the 10% contamination rule.
- It maintains all current cost separation rules and separate accounting of state cost.
- Intercarrier compensation moves from dedicated facility and measured usage to dedicated facilities with fee per number.
- All traffic and technologies are treated the same.
- Proven administration in NECA continues to develop cost requirements and share revenues.
- Existing universal service fund (USF) requirements are lowered, relieving pressure on USF.

Recommendation

- The time is right for a bold new approach to problems that exist with the current intercarrier compensation regime. The Companies urge the Commission to consider their Plan.
- The Companies' Plan provides such an approach by building upon processes that have worked successfully in the past but allows for new technologies that are beginning to show promise for the future.